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CRUSH INTERNATIONAL LIMITED

37th ANNUAL REPORT

FISCAL YEAR ENDING NOVEMBER 2, 1960



OUR PLEDGE

Crush International Limited takes pride in the excellence of its products. To create and produce beverages of unsurpassed freshness, purity and quality is our highest aspiration . . . our constant aim. Thus it is with confidence that we publish this symbol as an honest and unconditional guarantee. We pledge our untiring diligence in maintaining our exacting standards of production . . . in supplying beverages of delicious fresh flavour and wholesome healthful goodness.

At the Fruitland Museum in Harvard, Massachusetts, stands this beautiful bronze statue of Pummangwet. We depict it on our cover because we believe it symbolizes the policy of this Company to constantly "aim for the stars".



DIRECTORS

RALPH B. BRENAN – Rothesay, N.B.

E. E. BUCKERFIELD – Vancouver, B.C.

H. J. CARMICHAEL, C.M.G. – St. Catharines, Ont.

LOUIS COLLINS – Evanston, Ill.

NELSON M. DAVIS – Toronto, Ont.

F. A. DWYER, C.A. – Toronto, Ont.

P. M. FOX – Montreal, Que.

J. WILLIAM HORSEY – Toronto, Ont.

D. A. McINTOSH, Q.C. – Toronto, Ont.

G. E. PHIPPS – Toronto, Ont.

J. M. THOMPSON – Toronto, Ont.

W. E. WILLIAMS – Toronto, Ont.

CRUSH INTERNATIONAL LIMITED

OFFICERS

J. WILLIAM HORSEY - - - - - *Chairman of the Board*

J. M. THOMPSON - - - - - *President*

F. A. DWYER, C.A. - - - *Vice-President—Secretary-Treasurer*

C. A. DRUMMOND - - - - - *Vice-President—Operations*

J. P. COSTELLO - - - - - *Vice-President—Marketing*

SHAREHOLDERS' AUDITORS

MCDONALD, CURRIE & CO. - - - - - *Toronto*

PRESIDENT'S REPORT ON BEHALF OF BOARD OF DIRECTORS

To the Shareholders:

On behalf of your Board of Directors, the annual report on the fiscal operations of Crush International Limited for the year ended November 2, 1960 is submitted herewith.

While earnings for the period under review are lower than those of the previous year, the Company is able to report increased sales in both domestic and foreign markets, with total volume in the United States reaching a record high.

Advertising and sales promotion expenditures during the year were substantially higher than the previous year. This increase was deliberate and in line with policy set by management and approved by the Board of Directors to build Company sales in all countries to a point where satisfactory earnings are assured consistently despite the vagaries of weather and other conditions. These increased advertising and sales promotion costs affected earnings temporarily, as did the strike in the Vancouver plant, which will be referred to later in this report.

Net profit was \$191,633 after all charges, including depreciation of fixed assets of \$145,840, amortization of containers \$138,340 and taxes on income of \$126,975. This compares with \$386,861 for the previous year. Dividends on the common shares were resumed during the year with four payments of five cents per share.

Earned surplus at November 2, 1960, was \$1,085,631, compared with \$1,182,369 at the end of the previous year. Working capital increased \$707,670 during the year and was \$2,084,940 at November 2, 1960. Additional financing through issuance of 10,000 6½% cumulative convertible preference shares, Series A, with a par value of \$100 per share, provided funds for the expansion of the Company's operations. Funded debt was further reduced during the year by \$238,430.

The introduction on a planned basis in both Canada and the United States of Grape CRUSH, Grapefruit CRUSH and Lime CRUSH provided an impetus which enabled the Company to increase its share of the soft drink beverage market during

the year. This was accomplished in the face of adverse summer weather in many areas. Your Company's increase in sales was in contrast with the industry as a whole, for which the latest available statistics indicate a decrease.

The Company expanded its representation in both the United States and Canada through the granting of franchises in many new market areas. Seventeen new operations were launched during the year. Gains continued to be registered in the rapidly expanding fountain division.

Operations in foreign countries, with the exception of Cuba, continued to strengthen. The Company was fortunate in obtaining an experienced representative in order to take full advantage of the market potential in the United Kingdom and Europe.

Production facilities at the Toronto plant were enlarged to cope with increased demands in that market. The program of expansion and modernization for the Montreal operation, planned for the past fiscal year, was delayed because of the failure to obtain a permit to build on property owned by the Company. Another site will be acquired shortly and it is anticipated that the project will be completed in 1961.

The Vancouver bottling plant was virtually closed for the first eight months of the year because of a strike. The continuing fixed charges during this period amounted to approximately \$21,000. Net loss to the Company because of higher operating costs in relation to substantially reduced revenue is estimated to be \$50,000. Shortly after the end of the strike, the operation was placed on a franchise basis in order to serve this market in the most economical manner. Management believes that the above-mentioned loss will not recur.

It is my pleasure to welcome to the Board of Directors two well-known Canadian business executives, Messrs. R. B. Brenan of Rothesay, New Brunswick, and P. M. Fox of Montreal, Quebec, along with two Company executives, Messrs. Louis Collins of Evanston, Illinois, and F. A. Dwyer of Toronto, Ontario. Their contributions will benefit the affairs of your Company.

The continued progress of the Company would not be possible without the effective efforts and co-operation of its personnel in all parts of the world. To them, on behalf of both the directors and management, I would like to express sincere appreciation.

J. M. THOMPSON
President

December 22, 1960.

CRUSH INTERNATIONAL LIMITED

(Incorporated under the laws of Ontario)

and subsidiaries

assets

CURRENT ASSETS

Cash - - - - -	\$ 832,883	
Certificates of deposit, maturing on or before December 6, 1960 at cost - - - - -	600,000	
Accounts receivable, less provision for doubtful accounts—\$69,652 - - - - -	579,211	
Inventories—at the lower of cost or market - - - -	1,100,775	
Prepaid expenses - - - - -	167,142	
Due from foreign subsidiary not consolidated - - -	1,518	\$3,281,529

INVESTMENT IN FOREIGN SUBSIDIARY NOT CONSOLIDATED— at cost (Note 1) - - - - -

12,662

DEFERRED ASSETS

Containers on hand and with customers—at cost less amounts written off - - - - -	1,223,367	
Notes and accounts receivable from customers - - -	51,123	
Amounts receivable under agreements of sale - - -	120,650	1,395,140

FIXED ASSETS

Land, buildings, machinery and equipment—at cost -	4,114,092	
Accumulated depreciation - - - - -	1,787,728	
	2,326,364	
Cash received on sale of fixed assets, held by Trustee for bond holders - - - - -	13,748	2,340,112

GOODWILL - - - - -

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Approved on behalf of the Board

H. J. CARMICHAEL }
J. M. THOMPSON } *Directors*

\$7,029,444

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Crush International Limited as at November 2, 1960 and the consolidated statements of profit and loss and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

consolidated balance sheet as at November 2, 1960

liabilities

CURRENT LIABILITIES

Accounts payable and accrued liabilities - - - - -	\$	700,692	
Income and sundry taxes payable - - - - -		249,492	
Current portion of funded debt (Note 2) - - - - -		238,781	
Equipment notes payable (secured) - - - - -		<u>7,624</u>	\$1,196,589

REFUNDABLE DEPOSITS ON CONTAINERS - - - - - 493,648

FUNDED DEBT, less current portion included above (Note 2) - 1,485,608

MINORITY INTEREST IN CAPITAL STOCK AND SURPLUS OF CRUSH
INTERNATIONAL INC. - - - - - 330,463

CAPITAL STOCK AND SURPLUS

Capital stock (Note 3)—

Authorized—

100,000 preference shares of a par value
of \$100 each - - - - - 10,000,000

2,000,000 common shares without nominal
or par value - - - - - —
10,000,000

Issued—

10,000 6½% preference shares series A - - - 1,000,000
465,582 common shares - - - - - 1,437,505
2,437,505

Earned surplus - - - - - 1,085,631 3,523,136

\$7,029,444

In our opinion, the accompanying consolidated balance sheet and consolidated statements of profit and loss and earned surplus, when read in conjunction with the notes appended thereto, present fairly the consolidated financial position of the companies as at November 2, 1960 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TORONTO, December 19, 1960

MCDONALD, CURRIE & Co., *Chartered Accountants.*

CRUSH INTERNATIONAL LIMITED

and subsidiaries

consolidated statement of profit and loss

for the year ended November 2, 1960

NET PROFIT BEFORE DEDUCTING THE FOLLOWING EXPENSES	- - - - -	\$754,763
Interest on funded debt	- - - - - \$ 88,327	
Depreciation	- - - - - 145,840	
Amortization of containers	- - - - - 138,340	
Directors' fees	- - - - - 3,400	
Loss on sale of fixed assets	- - - - - 5,833	
Fixed costs of location closed by strike (estimated)	- - 21,000	402,740
		<u>352,023</u>
PROVISION FOR TAXES ON INCOME	- - - - -	126,975
		<u>225,048</u>
Deduct:		
Portion of earnings of subsidiaries applicable to minority interest	- - - - -	33,415
NET PROFIT FOR THE YEAR	- - - - -	<u><u>\$191,633</u></u>

consolidated statement of earned surplus

for the year ended November 2, 1960

BALANCE—OCTOBER 28, 1959	- - - - -	\$1,182,369
Net profit for the year	- - - - -	191,633
		<u>1,374,002</u>
Dividends paid—		
Preference shares	- - - - - \$48,750	
Common shares	- - - - - 92,616	141,366
		<u>1,232,636</u>
Other charges—		
Additional taxes on income of prior years, less portion applicable to minority interest	- - - 75,486	
Cost of obtaining supplementary letters patent and of issuing prospectus concerning preference shares	- - - 71,519	147,005
BALANCE—NOVEMBER 2, 1960	- - - - -	<u><u>\$1,085,631</u></u>

CRUSH INTERNATIONAL LIMITED

and subsidiaries

explanatory notes to consolidated financial statements

for the year ended November 2, 1960

1. The following information on the foreign subsidiary whose assets and liabilities and income and expenses are not included in these statements is submitted in accordance with the requirements of Section 89 of the Corporations Act, 1953:

- (a) The accounts of the subsidiary are not consolidated herein because exchange restrictions apply.
- (b) The company's proportion of the subsidiary's profit for the year is \$31,187 (after deducting technical service fees in the amount of \$8,823).
- (c) No income from the subsidiary has been included in the company's accounts for the year, other than the technical service fees referred to above.
- (d) The company's proportion of the subsidiary's undistributed profits earned since acquisition and not taken into the accounts of the company is \$70,607.

The above figures are converted at the free market rate of exchange. The official rate, which was used for this purpose in prior years, has now been withdrawn.

2. As at November 2, 1960 the company's funded debt was as follows:

	Total	Due within one year	Balance
5½% debentures, maturing December 1, 1963—\$150,000 per year to 1962 and \$300,000 in 1963 - - - - -	\$ 750,000	\$150,000	\$ 600,000
3% general mortgage and collateral trust serial bonds, maturing March 1, 1965 in annual instalments of \$70,000 - - - - -	350,000	70,000	280,000
5% first mortgage, maturing January 1, 1976 in monthly instalments of \$2,340 including interest - - - - -	356,780	10,479	346,301
6% first mortgage, maturing February 1, 1979 in monthly instalments of \$1,995 including interest - - - - -	267,609	8,302	259,307
	<u>\$1,724,389</u>	<u>\$238,781</u>	<u>\$1,485,608</u>

3. (a) During the year the company obtained supplementary letters patent authorizing the creation of 100,000 non-voting preference shares of a par value of \$100 each. These shares may be issued in series from time to time subject to confirmation by supplementary letters patent.
- (b) 10,000 preference shares were issued under the terms of additional supplementary letters patent for cash of \$1,000,000.
- These shares are entitled to cumulative dividends at the rate of 6½%, and are redeemable at the option of the company on or before February 1, 1963 on payment of a premium of 6½%, and at premiums reducing thereafter to a minimum of 3%. They are convertible into common shares of the company at the option of the shareholders on or before February 1, 1963 on a basis of 10¾ common shares for each preference share, and are convertible after that date and up to February 1, 1967 at bases reducing to 7¾ shares for each preference share.
- (c) Options have been granted to executive officers of the company and its subsidiaries to purchase 32,000 common shares at prices of \$3.05, \$4.35, \$9.25, \$10.75 and \$12.75 per share to be exercised at various dates before February 1, 1967.
- Options have also been granted to an outside party to purchase up to 7,500 common shares in restricted quantities at prices of \$7.00, \$10.00 and \$8.00 per share to be exercised at various dates before February 1, 1967. These options have been issued to facilitate the conversion of preference shares series A into common shares and the number of shares purchased at any one time is substantially limited to requirements for this purpose.
- (d) During the year the company issued an additional 30,000 common shares for cash of \$91,500 pursuant to option agreements with executive officers of the company and its subsidiaries.
4. United States dollars are converted at par and other currencies at their free market rate of exchange to United States dollars at November 2, 1960. In prior years foreign currencies, other than United States dollars, were converted at the official rate.

HEAD OFFICE

1590 O'Connor Drive, Toronto, Ontario

SUBSIDIARY COMPANIES

KIK COMPANY

CRUSH INTERNATIONAL INC.

INTER-AMERICAN ORANGE CRUSH COMPANY

CRUSH INTERNATIONAL (U.K.) LIMITED

PLANT LOCATIONS

Toronto, Ontario

Dallas, Texas

Montreal, Quebec

Kansas City, Missouri

Winnipeg, Manitoba

Salt Lake City, Utah

Evanston, Illinois

Portland, Oregon

Atlanta, Georgia

Rio de Janeiro, Brazil

CRUSH INTERNATIONAL LIMITED

WITH OPERATIONS IN 26 COUNTRIES

BANKERS

Imperial Bank of Canada

TRANSFER AGENTS

Crown Trust Company Montreal, Toronto, Winnipeg
and Vancouver

Address all communications to:

The Secretary,
Crush International Limited,
1590 O'Connor Drive,
Toronto, Ontario.



GRAPE
CRUSH

GRAPEFRUIT
CRUSH

LIME
CRUSH

CRUSH
COLA

KIK
COLA



GURD'S
GINGER ALE

AMERICA DRY
GINGER ALE

VÉE DE VÉE

GURD'S
CANNED BEVERAGES

OLD COLONY
FLAVORS